

CITY OF MINNEAPOLIS

# Audit Committee Meeting

October 20<sup>th</sup>, 2015

# Agenda

- Audit Reports & Memorandums
  - Records Management Audit Report
  - Complaint Protocol Consultation Memo
  - Finance Internal Controls Consultation Memo
- State Audit Findings Update
- Audit Plan and Projects Updates
- Internal Audit Findings Follow Up

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# Records Management Audit

# Records Management Audit - Objective

The objective of the audit was to assess the effectiveness of the City's adherence to the Minnesota Government Data Practices Act, Minnesota Records Management Statute, Minnesota Official Records Act—and related City policies and procedures.



# Records Management Audit – Scope

- Records liaison roles
- City policies and procedures
- Data element identification and classification
- Access to data being appropriate
- Adherence to data retention legal requirements and removal practices



# Records Management Audit – Findings

## **Finding 1: Records Management**

The City did not have an adequate records management structure to provide an accountability framework of records management practices that encompass the full data life cycle. This includes defined responsibilities, documented policies and procedures, and compliance monitoring.



# Records Management Audit – Findings

## **Finding 2: Information Asset Management**

The City did not have adequate and effective controls to appropriately manage data as a public asset. Well-governed data is critical to the success of the City.

- **Data Inventory**
- **Records Storage**
- **Records Disposition**
- **Records Management Monitoring**

# Records Management Audit – Findings

## **Finding 3: Data Access**

The City did not have adequate security controls for electronic data access management.

- **Application Access**
- **Terminated Users**
- **Data Breach Protocol**
- **Device Security**



# Records Management Audit – Findings

## **Finding 4: Request Management**

The City Clerk's RIM Division did not have a central or consistent process to track the intake and fulfillment of public information requests made under the Minnesota Government Data Practices Act, Minnesota Statutes, chapter 13.



# Records Management Audit – Findings

## **Appendix A – ARMA Information Governance Maturity Model – City Scores 1.6/5**

The maturity model categories include:

Accountability – 2 out of 5

Transparency – 2 out of 5

Integrity – 1 out of 5

Protection – 1 out of 5

Compliance – 1 out of 5

Availability – 2 out of 5

Retention – 2 out of 5

Disposition – 2 out of 5

# Records Management Audit – Findings

## **Appendix B - Data Governance and Records Management Audit of the Minneapolis Parks and Recreation Board**

- Due to the smaller breadth and complexity of the Minneapolis Parks and Recreation Board (MPRB), a limited-scope audit covering the following areas was completed:
  - Request management.
  - Policies and procedures.
  - Data Inventory.
  - Record disposition.
- No reportable findings were discovered in the audit of the MPRB.

# Records Management Audit

## Questions



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# Complaint Protocol Consultation Memorandum

# Complaint Protocol Consultation - Objective

The objective of this project was to understand the ways in which the City handles employee complaints and any subsequent investigations in order to identify opportunities to improve processes.



# Complaint Protocol Consultation - Scope

- Internal Audit considered the processes within the following teams:
  - Human Resource Investigative Unit
  - Human Resource Generalists
  - City's Ethics Officer
  - Workplace Violence and Building Security
  - Civil Rights
  - Internal Affairs
  - The City Attorney's Office
- We also met with union representatives and supervisors to get their perspective of the process.

# Complaint Protocol Consultation - Observations

- We observed four areas that the City has opportunity to further collaborate and improve processes:
  - Administrative Framework
  - Oversight & Reporting
  - Communication
  - Continual Improvement





# Complaint Protocol Consultation - Recommendations

## **Administrative Framework Recommendations:**

- Develop written processes that guide the persons conducting the investigations through the essential components of the intake, management and resolution process.
- Ensure the developed Interviewing and Evidence Collection processes adhere to best practices for seizing and handling electronic evidence, including computer hard drives used for forensic analysis.
- Create a tool for teams that currently lack one, to log complaint data for tracking, triage and reporting purposes.

# Complaint Protocol Consultation - Recommendations

## **Oversight & Reporting Recommendations:**

- Identify or establish a designated individual or group of individuals to have visibility to, and an understanding of, all outstanding and resolved complaints.
- Establish reporting to track, address and report employee misconduct to City leadership. This reporting should be used to understand trends in employee misconduct in order to take proactive steps to prevent, detect and correct misconduct; to eliminate opportunities for fraud, waste and abuse; to address unsafe working conditions or facilities; and to ensure adequate resources are allocated to handling the complaints and related workload.
- Develop a sustainable process to report losses to the State Auditor's Office.

# Complaint Protocol Consultation - Recommendations

## **Communication Recommendations:**

- Establish a freestanding collaborative meeting for the complaint-handling teams, and develop specific objectives and defined roles and responsibilities for the group.
- Identify the leaders and representatives from the complaint-handling teams that will attend the standing meetings and be responsible for meeting the objectives set out by the group.

# Complaint Protocol Consultation - Recommendations

## **Continual Improvement Recommendations:**

- Establish procedures for conducting defensible investigations to resolution.
- Determine gaps in each of the different processes throughout the City and design a plan to address them.
- Identify and implement best practices through benchmarking, training and research.
- Establish a network of capable investigators so as to avoid preconceptions or obvious bias.

# Complaint Protocol Consultation

## **Questions**



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# Finance Internal Controls Consultation Memorandum

# Finance Internal Control Program Consultation - Objective

The objective of this project was to review the monitoring and risk assessment program in place and to provide recommendations and suggested improvements to the program and risk assessment methodology, monitoring activities, control areas monitored, extent of documentation, and the adequacy of control monitoring activities within the program.

# Finance Internal Control Program Consultation - Scope

The scope of this consultation included the program structure, including risk assessment, testing tracking, process narratives and testing documentation and results.





# Finance Internal Control Program Consultation - Observations

We noted four areas where improvements can lead to an objective based more valuable and sustainable Finance control monitoring program.

- Program Oversight
- Policies and Procedures
- Risk Assessment
- Program Organization and Execution



# Finance Internal Control Program Consultation - Recommendations

## **Program Oversight**

### Observation

- The internal control program lacked adequate oversight to ensure that controls within various divisions and processes were identified, effective, regularly evaluated and consistently documented.

### Recommendation

- Establish internal control program governance to effectively assess, evaluate, document and report on the results of the program.

# Finance Internal Control Program Consultation - Recommendations

## **Policies and Procedures**

### Observation

- While there were complete narratives explaining the different financial areas and cycles, there was no established testing methodology, and no policies or procedures for achieving the program objectives.

### Recommendation

- Establish guidance on the how the internal control program should be executed, including timing, communication, reporting and roles and responsibilities as well as establish and document a methodology for the City's approach to meeting the objectives of the program.

# Finance Internal Control Program Consultation - Recommendations

## **Risk Assessment**

### Observation

- The risk assessments reviewed included sufficient information to understand the process, though a process document did not exist.

### Recommendation

- The City should establish a repeatable process to identify, rate and evaluate key internal controls over financial reporting.

# Finance Internal Control Program Consultation - Recommendations

## **Program Organization and Execution**

### Observation

- The City did not appear to have established documentation standards that facilitate the testing, review and re-performance of the control testing being completed.

### Recommendations

- Improve the control coding system that references controls and processes to consistently reference the risk, the related control activity and the testing done to examine the effectiveness of the control.
- Improve the organization and monitoring of the internal control program and processes to ensure consistent documentation is created and maintained.
- Implement a periodic report to management summarizing internal control monitoring activity conclusions to help identify high-level control issues, control gaps and validate completion of the testing plan.

# Finance Internal Control Program Consultation

**Questions**



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# State Auditor Findings Update

# State Auditor Findings Update

The State Auditor identified 10 findings related to financial statements audited in accordance with government auditing standards.

Finding	Status
• Bank Reconciliations: 2013-001	Corrected
• Loan C Documentation: 2013-002	Aug. 2017
• Audit Adjustments: 2014-001	Dec 2015
• Capital Asset Reporting Process: 2014-002	Corrected
• Network and System Access Termination: 2014-003	Dec 2015
• Identification of Federal Awards: 2011-002	Corrected
• Subrecipient Monitoring: 2011-004	Corrected
• Cash Management: 2014-004	Corrected
• Procurement, Suspension and Debarment: 2014-005	Dec 2015
• Prompt Payment of Invoices: 2009-001	June 2016



# State Auditor Findings Update

**Questions**



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# Audit Plan and Projects Update

# Audit Plan and Projects Update

## **Projects Completed:**

- Police Body Camera Pilot Program Consultation
- Purchasing Card Policies and Procedures Consultation
- Data Governance and Records Management Audit
- Complaint Protocol Consultation
- Finance Internal Control Monitoring Consultation

## **Projects in Progress:**

- Human Resources Personnel File Maintenance and Retention – Reporting Phase
- NCR Programming and Support Program Audit – Fieldwork Phase
- Police Records Management Implementation Consultation – Planning Phase
- CPED Loan Programs – Planning Phase
- Enterprise Land Management System Implementation Consultation – Fieldwork Phase

# Audit Plan and Projects Update

## **Projects Deferred:**

- Police Risk Management & Quality Assurance Consultation
- Permits, Inspections and Licensing (Planning done)
- Governance of 3<sup>rd</sup> Parties (Planning Started)



# Audit Plan and Projects Update

**Questions**



# Audit Findings Follow Up

- There are **13 outstanding findings**.
  - Two of these findings are being considered for risk acceptance.
- Internal Audit has reached out to each finding owner and is discussing the remediation or plans for each finding.



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